

State of California—Health and Human Services Agency  
**Department of Health Services**



**ARNOLD SCHWARZENEGGER**  
Governor



November 3, 2005

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 05-36  
ALL COUNTY ADMINISTRATIVE OFFICERS  
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS  
ALL COUNTY HEALTH EXECUTIVES  
ALL COUNTY MENTAL HEALTH DIRECTORS  
ALL COUNTY QMB/SLMB/QI COORDINATORS

SUBJECT: DISCONTINUANCE OF MEDICARE HEALTH MAINTENANCE  
ORGANIZATION PREMIUM PAYMENT PROGRAM

The purpose of this letter is to provide notification to counties that the California Department of Health Services (CDHS) will stop paying Medicare health maintenance organization (HMO) premiums effective December 31, 2005.

In January 2001 CDHS started paying Medicare HMO premium amounts on behalf of dually eligible beneficiaries enrolled in Medicare HMOs that provided prescription drug coverage. The purpose of these payments was for the State to save money on prescription drugs covered by the Medicare HMOs.

On January 1, 2006, CDHS will implement changes to beneficiary prescription drug coverage related to Medicare Part D. Among those changes is the payment of a Phased Down State Contribution for all dually eligible beneficiaries and the transition of payment for Medicare Part D covered drugs from Medi-Cal to Medicare prescription drug plans. These changes will mean that CDHS will no longer save money by paying Medicare HMO premiums for dually eligible beneficiaries.

CDHS will send letters to the affected beneficiaries the first week of November 2005. CDHS expects to send 35,000 letters in counties that have Medicare HMO coverage. Should you or your staff receive calls about these letters, please direct beneficiaries to call the Medicare Operations Unit toll-free line at 1-866-227-9863.

All County Welfare Directors Letter No.:  
Page 3  
November 1, 2005

Please direct questions concerning this letter to Ms. Vicki Partington at (916) 552-9496.

Original signed by

Tameron Mitchell, R.D., M.P.H., Chief  
Medi-Cal Eligibility Branch